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INTELLIGENCE MEMORANDUM

FAILURE OF SMALL GRAINS CROP IN ARGENTINA

CIA/RR IM-365

10 March 1952

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AUTH: HR 70-2  
DATE: 30 MAR 81 REVIEWER: 6514

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Office of Research and Reports

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10 March 1952

INTELLIGENCE MEMORANDUM NO. 365

SUBJECT: Failure of Small Grains Crop in Argentina

Summary.

Argentina, normally the most important nondollar export source of grain, has just completed one of the worst harvests of small grains -- wheat, rye, oats, and barley -- on record. As a result, Argentine exports of these grains during 1952 are expected to be only from 300,000 to 500,000 metric tons -- about one-half bread grains (wheat and rye) -- as compared with recent average annual exports of 3.2 million tons, of which 2.8 million tons were bread grains. Countries which normally procure grain from Argentina, chiefly Brazil, India, and nations of Western Europe, will be forced, therefore, to seek supplies elsewhere, probably in the first instance in the US and Canada -- the dollar area.

The only other main source with an unobligated supply which could be made available to grain-importing countries is the Soviet Bloc. Although Turkey, not regularly an exporter of grain, may be able to supply in 1952 from 500,000 to 750,000 metric tons, this contribution is expected to be largely offset by a decrease of about 500,000 metric tons in exports from Australia, a major source. If the grain-importing countries are unable to fill their needs from dollar sources, they may attempt to purchase grain from the Soviet Bloc in larger quantities than they have recently.

I. Extent of Argentine Crop Failure.

During the period November 1951 through January 1952, Argentina has completed one of the worst harvests of small grains -- wheat, rye, oats, and barley -- on record. The wheat crop is the smallest since 1916-17, and wheat supplies are insufficient to maintain domestic consumption at usual levels. As shown in the following table, Argentine production of these grains in 1951-52 was 59 percent below the 1950-51 production:

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CONFIDENTIALProduction of Argentine Small Grains a/  
1950-51, 1951-52

	<u>Thousand Metric Tons</u>	
	<u>1950-51</u>	<u>1951-52</u>
Wheat	5,800	2,200
Rye	631	200
Barley	763	400
Oats	733	450
Total	<u>7,927</u>	<u>3,250</u>

a. Based on US official reports.

The principal Argentine feed grain is corn,\* which is harvested during the months of April and May and which probably will yield a harvest estimated, on a very preliminary basis, of 3.5 million metric tons as compared with a harvest in May 1951 of about 2.6 million tons and a 1950 harvest of only 840,000 tons. Prewar (1934-38) corn crops in Argentina averaged about 7.5 million metric tons.

## 2. Significance of Argentine Grain Exports.

Although during the postwar years Argentina has been a grain-exporting nation of considerably less significance than during the prewar period, it nevertheless has ranked as the third most important country in the world grain trade, the US and Canada ranking first and second. Total Argentine grain exports during the 6-year period 1945-51\*\* have averaged about 4.5 million metric tons as compared with an average of 10.4 million tons during the period 1934-39. Argentine wheat exports during the postwar period averaged 2.2 million metric tons a year as compared with 3.3 million tons a year in the prewar period (see Table 1, attached). Wheat represented two-thirds of Argentina's grain exports during the 2 years 1949-50 and 1950-51.

\* Although corn and wheat are the two important Argentine grains, wheat is given primary consideration in this report, since that crop has failed.

\*\* Grain export figures used in this report are based on a July-June year (the wheat crop year in the US and other Northern Hemisphere countries), since that is the basis on which the data are most readily available.

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Before World War II, Argentina supplied about 36 percent of the grain (excluding rice) entering world trade. Argentina's share of the wheat in this trade was 22 percent. For the 2-year period 1949-50 and 1950-51 these percentages have dropped to approximately 11 percent for all grains and to 11 percent for wheat. These latter percentages, however, are significant in a world market where not all countries are able to buy as much grain as they want and where nondollar grain sources are at a premium. Table 2, attached, shows for each type of grain the average annual exports from Argentina for the 2 years 1949-50 and 1950-51 to the individual countries which have imported the largest quantities.

Three countries, Brazil, Italy, and India, imported 1.9 million metric tons of Argentine wheat, approximately 75 percent of Argentina's average annual wheat exports of 2.6 million tons for the 2 years 1949-50 and 1950-51. Brazil alone imported slightly more than 1 million metric tons annually during the above 2-year period, or 40 percent of Argentina's total wheat exports. In addition to Italy, several Western European countries, especially West Germany and, on a smaller scale, Belgium, France, the Netherlands, Switzerland, and the UK, are regular importers of Argentine wheat. Japan also has imported Argentine wheat in recent years. West Germany and the Netherlands were the chief importers of Argentine rye during the 2 years 1949-50 and 1950-51. Spain, normally a regular purchaser of Argentine wheat, did not acquire any in 1950-51 and, as the result of an exceptionally good harvest last year, should not be in serious supply difficulties during 1952.

For the leading importing countries of Argentine grain during the 2 years 1949-50 and 1950-51, Table 3, attached, shows the importance percentage-wise of their bread-grain imports from Argentina as compared with their total bread-grain imports and their total bread-grain consumption. These bread-grain imports from Argentina are small, particularly as compared with total consumption. However, imported grain supplies, which normally are subject to government control, play a more important role in the distribution and rationing programs than do indigenous supplies, which often are largely consumed or otherwise disposed of by the farmers who produce them. Also, even a small reduction in bread-grain imports is of considerable significance in countries where consumption levels already are low.

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Almost all Western European countries, but primarily Belgium, France, West Germany, the Netherlands, Switzerland, and the UK, have been traditional buyers of Argentine feed grains and have continued as such in recent years.

Feed grains, other than corn, exported by Argentina are of relatively minor importance. Exports of oats and barley in the last 3 years have ranged from about 300,000 to 450,000 metric tons, although in at least one previous year, exports of these two grains exceeded 1 million tons. As Table 1 indicates, Argentine corn exports, usually of great importance (in prewar years, the most important export grain), were practically eliminated in 1950-51 because of the 1950 crop failure. Corn exports have continued at a relatively low level after 1 July as a result of another bad crop in 1951.

3. Prospects for 1952 Argentine Grain Exports.

Exports of Argentine grain for the 1952 calendar year\* are estimated as follows:

\* The calendar year, which roughly corresponds to the Argentine wheat crop year (1 December-30 November), is considered here because that is the period during which Argentine grain exports will be at their lowest ebb, assuming an average crop next winter.

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CONFIDENTIALArgentine Grain Exports a/  
1952

<u>Thousand Metric Tons</u>	
<u>Type</u>	<u>Amount</u>
Wheat	100
Rye	100
Corn	1,100
Oats and Barley	200
Total	<u>1,500</u>

a. Based largely on an estimate of the US Embassy, Buenos Aires. Virtually all of the small grains exports will be from the 1950-51 crop carry-over stocks, which are already largely committed. Statistically, the wheat supply in Argentina would be insufficient for any exports. Drastic measures to economize on the use of wheat are rapidly being established in Argentina. Argentine millers may have wheat available for milling at only 75 percent of the 1951 level.

This estimated Argentine grain export total of 1.5 million metric tons is 38 percent of the 2-year 1949-50 and 1950-51 average and only 33 percent of the 6-year postwar average. The estimated bread-grain figure, 200,000 metric tons, is only 7 percent of the 2-year average and 8 percent of the 6-year average.

#### 4. Prospects for Grain Importing Countries.

During the next 12-month period the grain-importing countries will have to purchase from sources other than Argentina (in addition to normal requirements against those sources) about 2.6 million metric tons of the bread

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grains (wheat and rye) or else will have to reduce stocks or consumption. Western Europe and Asia imported annually from the Argentine about 1.7 million metric tons of bread grains during the last 2 years and will be able to secure from that source only about 100,000 tons of rye during 1952. Argentine export wheat probably will be shipped mostly to Brazil, Argentina's near neighbor, best wheat customer, and important source of Argentina's imports. Western Europe will continue to import the bulk of the Argentine corn available for export.

The dearth of Argentine export grain will be felt especially during the early part of 1952, since the new corn crop will not begin to move until June. It is, of course, too early to assume that the 1952 Argentine corn harvest will be successful, and another poor crop would add to the problems of importing countries.

Unfortunately, it cannot be said that there will be improved grain crops in the importing countries and that this will reduce their import requirements. On the contrary, increased population and a moderate decline in their over-all grain crops as compared with 1950, particularly in Western European countries, probably will increase the demand for grain during 1952. In some countries, reserve stocks may serve as a partial cushion, but generally either stocks are too small or there is sufficient opposition to their reduction to ameliorate substantially this problem.

One possible compensating factor should be considered. Turkey, which has not exported significant quantities of grain in recent years and which has, in fact, been on a net import basis during several years, had an excellent grain crop in 1951. According to recent Turkish estimates, about 750,000 metric tons of grain, mostly wheat, should be available for export from the 1951 crop. Seedings for 1952 are very large, and thus far condition reports are favorable. Exports have been slow, since Turkey's transportation and grain-handling facilities are not geared to the movement of large quantities of grain and since the high price of Turkish grain has had a tendency to restrict sales. Recent information indicates that some of the shipping difficulties are being overcome and that importing countries, chiefly nations of Western Europe, are continuing to buy in spite of the high price. It is now estimated that between 500,000 and 750,000 metric tons of Turkish grain will be exported during 1952. The increased availability of Turkish grain, however, will be offset largely by the situation in Australia, a major source of supply. A decline of nearly 500,000 metric tons in that country's wheat crop below that of 1950-51 may reduce exports by nearly that amount.

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CONFIDENTIAL5. Conclusion.

The failure of the Argentine small grains crop will make it necessary for importing countries previously dependent in part on Argentina to seek grain from other exporting sources. These countries, virtually all non-Communist, probably will come, in the first instance, to the US and Canada, as long as dollars are available. Importing countries already have purchased grain from the US in excess of quantities originally anticipated,\* and this probably will amount to about 1 million metric tons more of wheat for the crop year 1951-52 than was estimated a few months ago, owing in some measure to increased demand abroad because of the Argentine crop failure. The demand abroad for Canadian wheat also has increased, partly for the same reason. However, because of internal transport difficulties and because the purchase of Canadian wheat with US-appropriated dollars is subject to restrictions, the quantity of Canadian exports may be limited.

The main source, other than the dollar area (US and Canada), now available to grain-importing countries is the Soviet Bloc, which is considered capable of increasing exports above current levels if provided with the proper incentive.\*\* Australia, a major grain source, will not have an appreciable unobligated surplus from its 1951-52 wheat harvest which might contribute toward filling needs arising from the Argentine crop failure. Brazil probably should not be considered with the other grain-importing countries, because of its special position with respect to the US and Argentina. Except for Brazil, no other country is heavily dependent on Argentina for grain supplies, although Italy has in the past 2 years obtained over 35 percent of its wheat imports from the Argentine. Moreover, the quantities of grain involved represent small percentages of the total grain consumption in the various countries concerned. (In Italy, for example, this is about 6 percent.) On the other hand, imported grain supplies, usually subject to government control, play a larger role in the feeding of populations than their importance percentage-wise would indicate, and the 1.7 million

\* Brazil, for example, since 1 July 1951 has scheduled wheat shipments from the US of about 750,000 metric tons, of which over 350,000 tons have been planned for the movement in the period after 1 January 1952. Brazil's normal wheat imports from the US and Canada are very small.

\*\* Exports of grain from the Soviet Bloc to the West are estimated for the period 1 July 1951 through 30 June 1952 at from 2 million to 2.5 million metric tons, including the UK-Soviet trade agreement for 1 million tons.

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metric tons of bread grains which Western European and Asiatic countries have been procuring from Argentina during the past 2 years is a significant quantity. If these countries are unable to procure this grain from the US and Canada, they may attempt to purchase grain from the Soviet Bloc in larger quantities than they have recently.

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Table 1

Argentine Grain Exports a/1934-39, 1945-51 b/

Thousand Metric Tons						
<u>Year (July-June)</u>	<u>Wheat</u>	<u>Rye</u>	<u>Corn</u>	<u>Oats</u>	<u>Barley</u>	<u>Total</u>
Annual Average (1934-35 to 1938-39)	3,328	123	6,343	368	283	10,445
1945-46	1,840	228	1,169	234	568	4,039
1946-47	1,629	105	1,950	219	417	4,320
1947-48	2,773	353	2,963	97	944	7,130
1948-49	1,647	67	1,859	73	307	3,953
1949-50	2,380	255	1,245	296	148	4,324
1950-51	2,814	223	157	249	36	3,479
Annual Average (1945-46 to 1950-51)	2,181	205	1,558	194	403	4,541

a. Foreign Agriculture Circular, US Department of Agriculture, 24 Aug 1951, entitled "Argentine 1950-51 Grain Exports Reach Postwar Low." Figures for 1934-35 through 1947-48 include flour, cornmeal, and oatmeal in the appropriate grain equivalent. Figures for 1948-49 through 1950-51 do not include these products. However, such trade data as are available indicate exports of these commodities were insignificant compared with prewar levels.

b. July-June year.

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Table 2

Argentine Grain Exports by Countries a/  
Annual Average (1949-50, 1950-51) b/

<u>Thousand Metric Tons</u>						
<u>Country</u>	<u>Wheat</u>	<u>Rye</u>	<u>Corn</u>	<u>Oats</u>	<u>Barley</u>	<u>Total</u>
Brazil	1,030					1,030
Belgium	30	13	116	18	3	180
France	15		212		10	237
West Germany	142	60	2	30	21	255
Italy	451	13	20	6	1	491
Netherlands	30	34	82	57	15	218
Switzerland	56		22	73	25	176
UK	22		176			198
India	433					433
Japan	120				15	135
Others	268	119	71	87	2	547
Total	<u>2,597</u>	<u>239</u>	<u>701</u>	<u>271</u>	<u>92</u>	<u>3,900</u>

a. Foreign Agriculture Circular, US Department of Agriculture, 24 Aug 1951, entitled "Argentine 1950-51 Grain Exports Reach Postwar Low."

b. July-June year.

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Table 3

Importance Percentage-wise of Argentine Bread-Grain Exports  
to Leading Importing Countries e/

Country	Thousand Metric Tons				
	Bread-Grain Imports from Argentina <u>b/</u>	Total Bread- Grain Imports <u>c/</u>	Total Bread Grain Consumed as Food <u>d/</u>	Bread-Grain Imports from Argentina as Percent of Total Bread-grain Imports	Bread-Grain Imports from Argentina as Percent of Total Bread-grain Consump- tion
Brazil	1,030	1,218	1,750	85	59
Belgium	43	838	1,180	5	4
France	15	405 <u>e/</u>	6,300	4	Negligible
West Germany	202	2,957	6,800	7	3
Italy	464	1,266	8,000	37	6
Netherlands	64	719	1,120	9	6
Switzerland	56	332	600	17	9
UK	22	4,396	6,100	1	Negligible
India	433	3,531	47,500 <u>f/</u>	12	1
Japan	135	2,937	15,900	5	1

a. Import figures represent an average for the 2-year period 1949-50 and 1950-51. Consumption figures are less exact and represent the approximate level of bread grains consumed as food in 1951. For Japan and India, all types of grains (including rice) are included because the importance of Argentine wheat can best be considered in conjunction with the availability of all grains.

b. Foreign Agriculture Circular, US Department of Agriculture, 24 Aug 1951, entitled "Argentine 1950-51 Grain Exports Reach Postwar Low."

c. Data for European countries are from "Bread Grain and Coarse Grain in East-West Trade" (Preliminary Draft), ECA, East-West Trade Studies No. 3, 29 Aug 1951. Data for other countries are from Office of Foreign Agricultural Relations, US Department of Agriculture.

d. Based on data obtained from the Office of Foreign Agricultural Relations, US Department of Agriculture.

e. France was a net exporter of about 260,000 tons during the 2-year period.

f. The quantity of grain required to meet the needs of the rationed part of the population is between 8 and 9 million metric tons annually.